

GAO

Report to the Honorable  
Daniel K. Inouye, U.S. Senate

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November 1993

# FOSTER CARE

## Federal Policy on Title IV-E Share of Training Costs



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**Human Resources Division**

B-250684

November 3, 1993

The Honorable Daniel K. Inouye  
United States Senate

Dear Senator Inouye:

State and local government agencies need qualified child welfare workers to meet increasing demand from a rising population of abused and neglected children needing foster care. The total number of children in foster care increased from 273,500 in 1986 to 429,000 in 1991.<sup>1</sup> Public Law 96-272, also known as the Adoption Assistance and Child Welfare Act of 1980, made federal funds for foster care and foster care training available to states under title IV-E of the Social Security Act. The IV-E program is a primary source of funding for training child welfare workers.

On December 30, 1991, you asked us to examine the availability and use of federal funds to help states develop educated, well-trained workers in public child welfare. In subsequent discussions with your staff, we agreed to provide information on (1) the Department of Health and Human Services (HHS) policy that foster care training costs be allocated proportionately between the IV-E foster care program and other programs, (2) adherence to this cost-sharing policy, and (3) the effect of cost sharing on states' training programs. We also agreed to provide data on changes in funding for title IV-B, section 426 of the Social Security Act, which provides child welfare training grants to institutions of higher learning (see app. I). In addition, we agreed to provide information on the number and qualifications of Children's Bureau staff within HHS who administer child welfare programs (see app. II).

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**Results in Brief**

Under the IV-E foster care program, the extent of the federal obligation for the education and training of child welfare workers is a subject of controversy and, in the case of one state, administrative litigation. HHS and some states disagree on whether the federal government should help pay costs for training that benefits all children in foster care or costs for training that benefits only children in the IV-E foster care program.

Under current HHS policy, states are to allocate foster care training costs between the IV-E foster care program and other programs so that each program is charged its proportionate share of training costs based on

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<sup>1</sup>American Public Welfare Association analysis of data submitted voluntarily by states on the number and characteristics of foster care children.

benefits received. As a result, the IV-E program is to be charged a share of training costs on the basis of the proportionate benefit to children in the IV-E program.

Two of the five states we reviewed, however, charge the full costs of foster care training to the IV-E program for federal reimbursement, even though some children are not in the IV-E program. Notwithstanding HHS' policy notices setting forth the cost-sharing arrangement, those states believe they are not required under Public Law 96-272, its implementing regulations, or an Office of Management and Budget (OMB) circular, to allocate foster care training costs on a proportionate basis between IV-E and other programs. HHS has challenged this position and sought refunds or disallowed claims for federal reimbursement from these states.

Moreover, officials from the five states told us they oppose HHS' current cost-sharing policy because it limits IV-E reimbursement and thus the amount of foster care training they can provide.

In our view, the dispute between the states and HHS exists in part because title IV-E does not discuss cost allocation, and its language leaves room for more than one interpretation concerning the allocation of training costs. Because the meaning of the statute is in dispute, HHS' policy notices, based on HHS' interpretation of the law, also are called into question. If the law is not clarified, the matter may in effect be resolved through litigation, the outcomes of which may not reflect the Congress' legislative aims for the program. Thus, the Congress may want to clarify through legislation the extent of the federal obligation for training child welfare workers.

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## Background

Services to assist abused or neglected children are provided primarily by child welfare workers at state and local levels. To meet the complex needs of vulnerable children and their families, workers need a wide range of skills and knowledge. A 1989 survey by the American Public Welfare Association (APWA) shows that 88 percent of the responding states had difficulty recruiting qualified child welfare workers.

The largest source of funds for the education and training of child welfare workers is the federal government, under the authority of title IV-E of the Social Security Act. Title IV-E provided about 42 percent of all federal, state, and local funds for child welfare education and training in 1990, according to an APWA survey of 31 states. In fiscal year 1990, title IV-E provided about \$44 million to states to train child welfare workers.

Title IV-E is an open-ended entitlement program that provides funding for the foster care of eligible children. States with federally approved title IV-E state plans receive IV-E funds for those children who would have been eligible for Aid to Families with Dependent Children prior to foster care placement. The federal government helps pay the cost of providing food, shelter, clothing, and other maintenance to IV-E eligible children. Foster care provided to children who are ineligible for the IV-E program is funded by state foster care programs.

States may also use IV-E foster care funds for training. IV-E funds are available to train public child welfare staff who work for the state or local agencies that administer the title IV-E state plan or those preparing for employment in those agencies.

Training that is eligible for IV-E reimbursement includes courses at educational institutions and in-service training. Courses at educational institutions may lead to a degree in social work or a related field for those preparing for employment in public child welfare. In-service training includes training to administer the IV-E foster care program in such areas as determining the eligibility of children for the program, placing children in foster care, and licensing foster homes.

IV-E foster care funds are administered by the Children's Bureau of the Administration on Children, Youth and Families (ACYF) within HHS. Ten HHS regional offices work directly with states to ensure that they follow HHS regulations and ACYF policy.

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## Scope and Methodology

We reviewed Public Law 96-272 and its legislative history, the Social Security Act, federal regulations, and other documents and data provided by HHS and the states we contacted. We interviewed officials at HHS headquarters, three HHS regional offices (San Francisco, New York, and Chicago), and of the states of Arizona, California, New York, Illinois, and Washington.<sup>2</sup> To select the states, we considered the IV-E foster care training expenditures of each state, and we sought to obtain broad geographic representation. Together, the five states accounted for about 58 percent of foster care training expenditures nationwide in fiscal year

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<sup>2</sup>HHS' San Francisco regional office oversees California, Arizona, Hawaii, Nevada, and the Pacific Trust Territories. The New York regional office covers New York, New Jersey, Puerto Rico, and the Virgin Islands. The Chicago regional office works with Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin.

1990.<sup>3</sup> Our work was conducted from August 1992 through April 1993 in accordance with generally accepted government auditing standards.

## ACYF Policy Calls for Proportionately Allocating Costs Among Programs

P.L. 96-272 authorized the IV-E foster care program to reimburse states for 75 percent of their training costs. The law does not address the allocation of such costs. In addition, HHS regulations and OMB Circular A-87 provide general guidance on which costs are eligible for federal reimbursement. Like the law, HHS regulations discuss the 75-percent reimbursement rate but not the allocation of foster care training costs between IV-E and other programs. HHS regulations require that states conform to the accounting principles and standards in Circular A-87. Circular A-87 gives federal agencies considerable latitude in choosing methods they permit states to use for allocating costs among federal and other programs. It stipulates only that the method should allocate costs to benefiting programs and that the allocation should be equitable. States, in turn, may only use an allocation method that has been approved by the federal agency.

ACYF policy notices, which are issued on an as-needed basis to supplement HHS regulations, indicate that states should allocate foster care training costs equitably between the IV-E foster care program, state foster care programs, and other programs to ensure that each benefiting program is charged its proportionate share of the costs.<sup>4</sup> The policy notices specifically permit allocation based on the actual ratio of title IV-E eligible children in relation to all children in foster care. That is, if half of the foster children in a state are IV-E eligible, only half of the state's foster care training costs are charged to IV-E and thus become subject to ACYF's 75-percent reimbursement rate.

## Two of the Five States Do Not Allocate Foster Care Training Costs

New York and Illinois do not allocate foster care training costs between the IV-E program and other programs. Although complete data were not available, we found that at least these two states charge all training costs to the IV-E program. California, Arizona, and Washington charge only a portion of costs to the program, in accordance with ACYF policy, as shown in table 1.

<sup>3</sup>Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means, U.S. House of Representatives (May 15, 1992), pp. 855-6.

<sup>4</sup>Costs for training on determining eligibility for the IV-E program are the only training costs that may be fully charged to the program.

**Table 1: Comparison of Selected States That Do and Do Not Allocate Foster Care Training Costs**

State	Allocates foster care training costs among programs?	Percentage of all foster care training costs that state charges to IV-E program	Percentage of all foster care training costs for which state receives IV-E reimbursement
New York	No	100	75
Illinois	No	100	75
California	Yes	67	50
Arizona	Yes	50	38
Washington	Yes	33	25

Note: Data are from state fiscal year 1993.

### States That Do Not Allocate Foster Care Training Costs

New York had the highest IV-E training costs of any state in fiscal year 1990. HHS' Office of Inspector General (OIG) reported in 1992 that New York had not allocated its fiscal year 1988 foster care training costs in accordance with ACYF policy. The OIG recommended that the state refund the federal government about \$1.9 million in IV-E funds. The OIG calculated the refund on the basis that New York should have charged only 67 percent of its foster care training costs to the IV-E program, which represents the proportion of IV-E eligible children in its foster care population. Sixty-seven percent of its training costs would then be subject to ACYF's 75-percent reimbursement rate. If HHS persists in pursuing the refund, New York officials told us they plan to appeal to HHS' Departmental Appeals Board, which reviews disputed disallowances.

Illinois, the state with the third highest IV-E training costs in fiscal year 1990, also does not adhere to ACYF's cost-sharing policy. Like New York, Illinois charges all of its foster care training costs to the IV-E program. As a result, ACYF has disallowed parts of Illinois' claims for IV-E reimbursement. The state has appealed to the Departmental Appeals Board.

In addition to New York and Illinois, there may be other states that do not allocate foster care training costs between IV-E and other programs, according to an ACYF official. However, comprehensive data were not available at ACYF headquarters to determine other states' approaches to claiming training costs.

## States That Allocate Training Costs Among Programs

California, which had the second highest IV-E foster care training costs in fiscal year 1990, does allocate foster care training costs among programs. However, state officials reported that the state did not allocate such costs until it became aware of ACYF's cost-sharing policy in 1991. That year, in response to indications that the states were confused about the requirement, ACYF issued a notice to reiterate prior years' policy notices requiring cost allocation between programs. Because it allocates training costs in accordance with ACYF guidance, the state receives IV-E reimbursement for about 50 percent of its total foster care training costs. This rate is calculated on the basis that 67 percent of California's foster children are eligible for IV-E. Thus, 67 percent of all its training costs are subject to ACYF's 75-percent reimbursement rate. (See table 1.)

Arizona and Washington also allocate foster care training costs between programs. Arizona charges about 50 percent of its total costs for such training to the IV-E program and thus receives reimbursement for about 38 percent of its total foster care costs. Washington charges about 33 percent of its costs to the IV-E program and thus is reimbursed for about 25 percent of such total costs. (See table 1.)

## States Question ACYF's Cost-Sharing Policy

Two of the five states we reviewed believe, notwithstanding ACYF's policy notices, that they are not required under the law, HHS implementing regulations, or Circular A-87 to allocate foster care training costs on a proportionate basis between title IV-E and other programs. Officials we spoke with from each of five states oppose the policy, maintaining that low IV-E reimbursement levels due to cost sharing limit their foster care training.

## States Contend Cost Sharing Not Required by Law or Federal Regulations

In our view, because the law is general and does not address cost allocation, it is subject to multiple interpretations. As a result, states and HHS both appear to make a credible argument for their interpretations. Also, the legislative history does not contain any relevant information that might add insight to the Congress' wishes on the matter.

Officials from Illinois and New York believe the law intended the federal government to reimburse states for 75 percent of all foster care training costs. In its case before the Departmental Appeals Board, Illinois argued that ACYF's cost-sharing policy imposes a much stricter limitation on IV-E reimbursement than does the law. A New York official asserted that the law intended the training to benefit all children in foster care, so HHS

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should not restrict its reimbursement to costs that benefit only IV-E eligible children. In contrast, an ACYF official stated that he believes the law intended HHS to help pay foster care training costs that benefit only IV-E eligible children, since foster care training is under title IV-E of the law.

New York and Illinois officials argue that federal regulations also do not require cost sharing. New York's written response to the OIG maintains that the state's decision not to allocate costs between programs is justified because the cost sharing imposed by ACYF policy notices goes beyond HHS regulations and Circular A-87. Illinois officials also assert that because HHS regulations and Circular A-87 do not require cost sharing, the state is correct in charging all foster care training costs to the IV-E program.

Illinois officials point out that ACYF does not have to require proportionate or pro rata cost allocation to comply with Circular A-87 since the circular does not explicitly require that this allocation method be used. As part of the ongoing legal proceedings, attorneys for Illinois argued that a 1988 Departmental Appeals Board decision on Oklahoma's administrative costs established that Circular A-87 would permit ACYF to allow states to charge the full cost of foster care training to IV-E. According to the 1988 Board decision, Circular A-87 does not preclude charging costs that substantially benefit one program to that program although another program may also benefit.<sup>5</sup> In other words, according to the principles outlined in the circular, ACYF has wide discretion in choosing allocation methods, including one allowing the states to charge the full cost of foster care training to IV-E, even though ineligible children also benefit. In response, ACYF points out that it is exercising its discretion under A-87 by choosing an allocation method in which costs are charged to IV-E in proportion to the benefit to IV-E eligible children.

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### Cost-Sharing Policy Limits Foster Care Training

Officials from the five states we reviewed oppose ACYF's cost-sharing policy because of its effect of limiting the amount of IV-E reimbursement a state receives and its consequent effect of limiting the amount of training states are able to provide. They said that reducing the amount of IV-E reimbursement forces states to strain their own limited resources to train foster care workers.

California officials said that access to the state's new training program is restricted because the state's fiscal crisis leaves it unable to compensate

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<sup>5</sup>Oklahoma Department of Human Services, DAB No. 963 (1988), pp. 4-6.

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for the low level of IV-E reimbursement it receives. This specialized master's of social work program, which is offered by several schools of social work in California, is designed to prepare students for public child welfare practice. Students in the program may receive financial aid if they commit to work in county child welfare agencies after graduation. State officials contend that ACYF should liberalize its policy to increase IV-E reimbursement, allowing California to offer training to more students and thereby alleviating the shortage of qualified child welfare workers. An Arizona official also argued that the state is unable to provide needed training to its workers because of low IV-E reimbursement.

Similarly, New York and Illinois officials said that the IV-E program is critical to foster care training because of limited state funds available for such purposes. New York officials said that the state would have to cut its training program by at least one-half if it were to adopt ACYF's required policy for allocating foster care training costs. Illinois officials said that cost allocation between programs would likewise force Illinois to reduce its training program.

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## Conclusion

The states we reviewed take issue with HHS' interpretation of the extent of the federal obligation for training costs under Public Law 96-272, as embodied in ACYF policy. HHS interprets the law to permit federal reimbursement of costs for training only to the extent it benefits children in the IV-E foster care program. Two states with large training expenditures have charged the federal government their full costs for training that benefits all foster care children, contrary to HHS policy. HHS has either requested refunds or disallowed claims for IV-E reimbursement from these states, and one case is currently in administrative litigation. In our view, unless the Congress acts to clarify the law, the debate on the extent of the federal obligation for training child welfare workers in effect may be resolved through the pending litigation in a manner that may not be consistent with the Congress' legislative aims for the program.

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## Matter for Congressional Consideration

The Congress may wish to consider amending the Social Security Act, title IV-E, section 474 (P.L. 96-272), to clarify how states are to allocate foster care training costs for federal payment. Specifically, the Congress may want to make clear whether the federal government will pay for 75 percent of all foster care training costs incurred by each state under its approved title IV-E state plan, which benefits all children whether IV-E eligible or

not, or 75 percent of foster care training costs that only benefit IV-E eligible children.

## Agency Comments and Our Evaluation

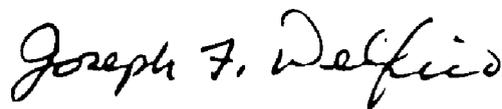
In its written comments, HHS generally agreed that the report was factually correct. However, HHS disagreed that title IV-E is subject to multiple interpretations concerning cost allocation. While HHS acknowledged that the law does not directly address cost allocation, it said the subject is addressed in OMB Circular A-87 and is further refined for the matters at issue by agency policy. HHS did not disagree with our characterization of the law as silent with respect to cost allocation, or that congressional clarification may be desirable.

HHS' interpretation of the law, as the agency charged with its implementation, carries substantial weight in the courts and before administrative bodies, and we did not intend to suggest otherwise. In saying that the law is subject to more than one interpretation, we are recognizing that two of the five states we reviewed disagree with HHS' reading of the law; one is already litigating the issue and another said it might do so. Moreover, as HHS concedes, the language of the law alone does not resolve the issue. We continue to believe that litigation is not a desirable method of establishing a rule for the allocation of these costs.

HHS also said it was reviewing the title IV-E training regulations with the intent to clarify and simplify them. HHS made other technical comments that we incorporated as appropriate. (See app. III.)

We are providing copies of this report to officials at HHS and the states we contacted as well as congressional committees with an interest in this matter. We will also make copies available to others upon request. If you have questions about this report, please call me on (202) 512-7215. Other major contributors are listed in appendix IV.

Sincerely yours,



Joseph F. Delfico  
Director, Income Security Issues

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## Abbreviations

ACYF	Administration of Children, Youth and Families
APWA	American Public Welfare Association
HHS	Department of Health and Human Services
OIG	Office of Inspector General
OMB	Office of Management and Budget

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# Changes in Funding for Section 426 Child Welfare Training Grants

Title IV-B of the Social Security Act provides funding to states for child welfare services, including worker training. IV-B provided about 5 percent of all federal, state, and local funds for child welfare education and training in 1990, based on a survey of 31 states.<sup>1</sup>

Funds under title IV-B include those authorized by section 426 for grants to public and nonprofit private institutions of higher learning to train individuals to work in the child welfare field. Traineeship, in-service, and curriculum development grants are available. Traineeship grants provide financial support to undergraduate or graduate students pursuing a degree in child welfare or a related field. In-service training grants fund short-term training of personnel currently employed by public child welfare agencies. Curriculum development grants are used to develop curriculum for teaching undergraduate and graduate students the specific knowledge and skills necessary to provide public child welfare services.

Between fiscal years 1978 and 1992, funding for section 426 child welfare training grants decreased about 79 percent from approximately \$17.5 million to \$3.6 million in 1992 constant dollars (see table I.1).

**Table I.1: Funding for Section 426 Child Welfare Training Grants (Fiscal Years 1978-92)**

Fiscal year	Actual dollars	1992 constant dollars
1978	\$8,150,000	\$17,537,500
1979	8,150,000	15,749,931
1980	7,575,000	12,897,725
1981	5,600,000	8,643,344
1982	3,823,000	5,558,206
1983	3,823,000	5,385,210
1984	3,823,000	5,162,338
1985	3,823,000	4,984,822
1986	3,658,000	4,682,641
1987	3,823,000	4,721,540
1988	3,660,000	4,340,642
1989	3,696,000	4,181,845
1990	3,647,000	3,914,875
1991	3,559,000	3,666,136
1992	3,559,000	3,559,000

Source: Amounts in actual dollars are from Justifications of Appropriation Estimates (1978 and 1992) and Appropriations Hearings (1979-1991). Amounts in 1992 constant dollars are based on GAO analysis of Consumer Price Indexes (1978-1992) and amounts in actual dollars.

<sup>1</sup>Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means, U.S. House of Representatives (May 15, 1992), p. 920.

# Children's Bureau Staffing and Qualifications

The Child Welfare Division of the Children's Bureau is responsible for managing various child welfare programs authorized under titles IV-B and IV-E of the Social Security Act and other federal laws.<sup>1</sup> These programs include entitlement programs for foster care, adoption assistance, and child welfare services as well as discretionary grant programs for abandoned infants assistance, child welfare research and demonstration, and child welfare training.

Between 1990 and 1993, the division's workload increased substantially. Funding to states under entitlement programs doubled from about \$1.6 billion to \$3.2 billion. Funding for discretionary grants increased about 35 percent from \$36 million to \$48.3 million. The number of discretionary grants to public and nonprofit private entities rose from 277 to 331.

With this increase in workload, the division has been unable to fulfill some responsibilities because of limited staff and low travel funds, according to Children's Bureau officials. For example, staff have been unavailable to write additional federal regulations for the IV-E foster care and adoption assistance programs. Also, insufficient staff resources and limited travel funds have prevented annual on-site reviews of most discretionary grantees. In fiscal year 1991, 78 reviews were conducted, and in fiscal year 1992, 66 were conducted.

Between 1990 and 1993, the total number of staff in the division increased from 26 (23 professional and 3 clerical staff) to 32 (29 professional and 3 clerical staff). Division staff generally have professional degrees. Some hold master's degrees in social work, sociology, public administration, or public policy. Staff also have job experience with state or federal child welfare programs.

<sup>1</sup>The Child Welfare Division is one of two divisions of the Children's Bureau. The other division is the Child Care Division, which administers child care grant programs.

# Comments From the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

SEP 21 1993

Mr. Joseph F. Delfico  
Director, Income Security Issues  
United States General  
Accounting Office  
Washington, D.C. 20548

Dear Mr. Delfico:

Enclosed are the Department's comments on your draft report, "Foster Care: Federal Policy on Title IV-E Share of Training Costs." The comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely yours,

A handwritten signature in cursive script that reads "Bryan B. Mitchell".

Bryan B. Mitchell  
Principal Deputy Inspector General

Enclosure

Appendix III  
Comments From the Department of Health  
and Human Services

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES  
ON THE U.S. GENERAL ACCOUNTING OFFICE'S DRAFT REPORT, "FOSTER  
CARE: FEDERAL POLICY ON TITLE IV-E SHARE OF TRAINING COSTS,"  
REPORT NO. GAO/HRD-93-82

General Comments

The Department appreciates the opportunity to comment on the General Accounting Office's (GAO) draft report.

The draft report points to the need for qualified child welfare workers to meet the increasing demand from a rising foster care population, combined with greater and more complex needs of families and children. We share this concern and believe the underlying principles of the title IV-E program reflect an interest in supporting a stable and professionally trained staff. The enhanced Federal funding at a rate of 75 percent for training provides one important mechanism to improve the skills of child welfare agency staff.

We agree that the language of title IV-E does not directly address the allocation of training costs. The Department is reviewing the title IV-E training regulations with the intent to clarify and simplify them.

The draft report refers to funds for training foster care workers. It is important to note that title IV-E provides funds for Adoption Assistance as well. Title IV-E training is available for adoption workers as well as for foster care workers, which may be important in States which make a distinction between types of workers. Moreover, the Congress has just restored the authority in title IV-E (which had lapsed for Fiscal Year 1993) to provide a 75 percent match for training of foster parents, adoptive parents and staff of private child care agencies which are working under agreements with State title IV-E agencies.

Appendix III  
Comments From the Department of Health  
and Human Services

Page 2

Technical Comments

In addition, we have some comments related to specific statements made in the draft report which GAO may wish to take into consideration in preparing the final report:

See pp. 1 and 8.

1. The third paragraph on page 1 of the GAO report refers to "litigation," a term which is normally understood to refer to judicial proceedings. We suggest that the report identify the current proceedings as "administrative" litigation which could ultimately result in judicial proceedings.

No change.  
Now on p. 3.

2. The first sentence in the last paragraph on page 2 of the report should be rewritten to read: "Title IV-E is an open-ended entitlement program that provides funding for the foster care and adoption assistance payments of eligible children."

See pp. 3 and 8.

3. In the paragraph beginning on page 2 of the report and ending on page 3, "federally-approved foster care plans" should be replaced with "federally-approved title IV-E State plans."

4. We suggest that GAO qualify the statement on page 6 that "because the law is general and does not address cost allocation, it is subject to multiple interpretations." In our view, this statement unduly deprecates the Department's current legal position on the cost allocation issue. The fact that title IV-E does not itself address cost allocation does not mean that the proper interpretation of the law is not clear. The subject of cost allocation is addressed by OMB Circular A-87 as further refined, in this instance, by statements of agency policy. Accordingly, we disagree with the implication in this statement and elsewhere in the draft report that either the New York/Illinois position or that of the Department is equally acceptable. This is not to say that Congress could not--or should not--amend the program statute to address cost allocation explicitly.

We hope that these comments are useful to GAO as it prepares its final report.

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# Major Contributors to This Report

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# Related GAO Products

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Foster Parents: Recruiting and Preservice Training Practices Need Evaluation (GAO/HRD-89-86, Aug. 3, 1989).

Foster Care: Incomplete Implementation of the Reforms and Unknown Effectiveness (GAO/PEMD-89-17, Aug. 14, 1989).

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